

**DEPARTMENT OF HEALTH
WIC SERVICES**

POLICY AND PROCEDURE MANUAL

**Policy & Procedure Number: 1.34
Effective Date: November 16, 2017**

Functional Area: I. VENDOR MANAGEMENT

Subject: Vendor Peer Group System

A. POLICY:

1. Vendor peer group system means a classification of authorized vendors into groups based on common characteristics or criteria that affect food prices, for the purpose applying appropriate competitive price criteria to Vendors at authorization and limiting payments for food to competitive levels as established in 7 CFR 246.12(g)(4)(ii)(C).
2. The State Agency (SA) shall establish a vendor peer group system, with distinct competitive price criteria and allowable reimbursement levels for each peer group. (P&P 1.35 Competitive Pricing *in progress*)
3. The SA will inform all vendors of the criteria for peer groups, and shall inform each individual Vendor of its peer group assignment upon initial authorization and at the beginning of each reauthorization period.
4. The SA shall evaluate the effectiveness of the peer groups, allowable reimbursement levels, and competitive price criteria either once every three (3) years or prior to the start of an authorization period.
5. The SA may change a Vendor's peer group designation whenever it is determined that placement in an alternate peer group is warranted with written notice to the Vendor. (Attachment 1.34B Vendor Peer Group Designation Letter)

B. PROCEDURE:

1. To determine a Vendor's peer group assignment, the SA will consider the number of cash registers and geographic locations.
2. The SA will classify Vendors into five peer group types based on the criteria established in Attachment 1.34A (Description of Vendor Peer Group System).
 - a. **Chain Stores:** Corporations which own 11 or more stores.
 - b. **Large Independent Stores:** Owner of 1 or more stores each has 3 or more cash registers.
 - c. **Small Independent Stores:** Owner of 1 or more stores; each has 1-2 cash registers.
 - d. **Pharmacy:** Drug store which provides only special formula unavailable at the retail stores.
 - e. **Commissary (Military):** Commissaries serve the purchase needs of active and retired military personnel and their dependents.

3. The SA will further classify peer group types by a geographic identifier of: North, Central and South.
 - a. **North:** Bergen, Essex, Hudson, Hunterdon, Morris, Passaic, Somerset, Sussex and Warren
 - f. **Central:** Mercer, Middlesex, Monmouth, Ocean, Union
 - g. **South:** Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Salem

Attachment(s):

Attachment 1.34A Description of Vendor Peer Group System

Attachment 1.34B Vendor Peer Group Designation Letter

P&P 1.35 Competitive Pricing *in progress*